



MEMORANDUM
JULY 9, 2004

TO: BOARD OF DIRECTORS

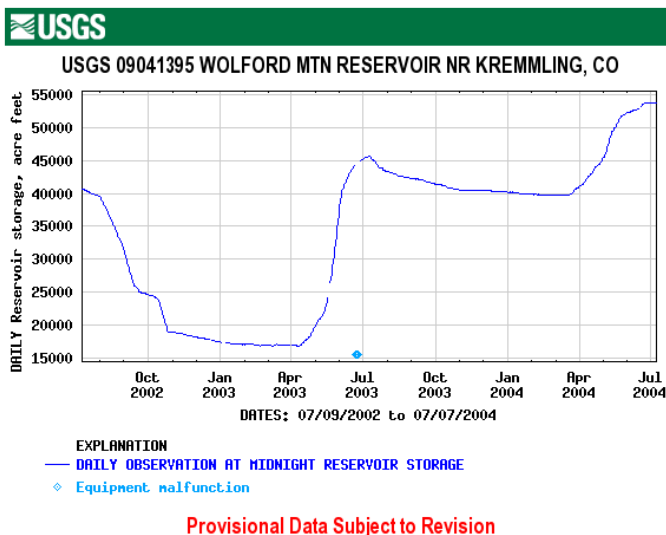
FROM: DAVID MERRITT

RE: WATER PROJECTS ENTERPRISE - WOLFORD MOUNTAIN RESERVOIR OPERATIONS

WOLFORD MOUNTAIN OPERATIONS-YEAR 2004

HYDROLOGIC CONDITIONS

This runoff year shaped up to be a poor year, with basin wide snowpack well below average. However, we still recovered a significant amount of storage at Wolford Mountain Reservoir, largely due to the Shoshone Powerplant being offline throughout April. Wolford Mountain Reservoir is currently at elevation 7480.5MSL, 8.5 feet below full pool. We have approximately 54,000 acre feet in storage, and have been out of priority since late June. We definitely were one of the beneficiaries of the maintenance work at the Shoshone Hydropower Plant, having stored approximately 5,800 acre feet as a result of the plant being off-line. The total amount of storage or diversions permitted as a result of the plant maintenance was over 30,000 acre feet. Wolford Mountain Reservoir was very lightly exercised last year, with releases only made for water marketing contract releases and mitigation area releases, but we expect to be making significant releases for Green Mountain substitution this year. However, as the attached graph shows, we finished this fill



season 9,000 acre feet above last years fill season.

The January 1st runoff forecast was for 100% of average, or 60,000 acre-feet in the April through July time period, the April 1st Forecast was for only 50%, and the June 1st Forecast was for 38%, or 23,000 acre feet. We will most likely see about 21,000 ac-feet of inflow in the April through July time frame, and were able to store about 14,000 acre feet. Last years runoff was 38,200 acre feet, or 64% of average and we managed to store about 29,000 acre feet.

While we are now anticipating a very large Substitution year, 30,000 acre feet, and while the Blue River Basin snowpack was at a condition similar to the first June 2002, rains in June, as well as cooler than normal temperatures combined to create a situation that at the current time, is significantly better than 2002. Although we are close to a mainstem call (and would indeed have one if the Shoshone Power Plant were on line), the flows of the Colorado River at Cameo are almost 1000 cfs higher than for this date in 2002.

	2002	2004
Runoff forecast above Dillon	70 KAF	80 KAF
Runoff forecast Above GMR	115 KAF	155 KAF
Dillon Storage	178 KAF	232 KAF
Green Mountain Storage	80 KAF	120 KAF
Wolford Mtn Storage	41 KAF	54 KAF

The major demands which we expect on Wolford will be significant this year. They will be:

- 1) **Denver Substitution:** Denver has almost acre feet it its pool, and would call on all of that amount.
- 2) **Colorado Springs Substitution:** The Substitution Agreement is being treated as operational, while it winds its long way through final approval. CSU released 150 acre feet for the benefit of the Upper Blue last year, and will be purchasing 250 acre feet in 2003/2004 and 250 acre feet in 2004/2005 water years. This will mean allow CSU to divert, and will place a demand of 650 acre feet on the reservoir.
- 3) **Endangered Fish Pools:** In 2002 and in 2003, the Recovery Program received no water from the 5412 contract (due to drought provisions), and took no water from their 6,000 acre foot pool in 2003, preferring to keep it in storage for worse times. They currently have 4,467 acre feet in storage. Again, this year, the storage and inflow forecast at Wolford Mountain Reservoir were insufficient to provide water from the 5,412 contract. Drought provisions dictate that the water is not available unless the May 1st inflow forecast is greater than 28,000 acre feet **and** the June 1st storage is greater than 56,000 acre feet. The May 1st forecast was 28,000 acre feet, but the June 1st storage was only at 52,300 acre feet.
- 4) We have approximately 1,700 acre feet of water marketing contracts which can only be supplied from Wolford, once Shoshone is back in operation.
- 5) We will have releases for the wetlands mitigation area and for Middle Park Water Conservancy District demands.

When the year is done, we will most likely be down to 25,000 acre feet by November 1st. Not an ideal situation, but then the reservoir was built to be used, and it has definitely been getting used these past few years.

RECREATION AREA MANAGEMENT

Red Mountain RV Park have completed their second season of operating the campground, recreation area, and boat rental facility. The Miller's and their host camper staff have taken a great deal of pride in operating the area in a friendly manner. The campground was full most weekends from Independence Day to Labour Day, with weekdays running usually around ½ to 1/3 full. This has continued so far this year, with the 4th of July being quite full. The Millers are expanding the boat rental fleet, and are pleased that the reservoir has recovered as much as it has this year.

TAMARISK CONTROL

ECO-RX spent more time than anticipated this winter working on the Tamarisk control operation. This year's contract was for a two season operation, winter and fall. The greater extent of the infestation resulted in more expenditure this winter than was anticipated. Additionally, the BLM and the contractor have noticed a Canada Thistle infestation on the shores of the reservoir, a situation which also needs to be addressed. We are recommending that the current contract with ECO-Rx be increased by \$15,000 to cover Tamarisk and Canada Thistle treatment for the balance of 2004, as well as for 2005.

WATER MARKETING

We currently have 73 contracts for Colorado River water supplies either executed or moving through the process, totaling over 3616 acre feet. Nearly 1600 acre feet of these contracts could be served from our Ruedi Reservoir water supplies, and in fact were served this past year. The River District had designated 10,000 acre feet from the West Slope's 36,000 acre foot pool as available for water marketing on a long term basis. Our Colorado Springs Substitution agreement has resulted in setting aside a pool of 1,750 acre feet for this purpose, and has thus reduced the marketable yield by 1,250 acre feet (five acre feet of Wolford dry year yield for each one acre foot of Upper Blue Reservoir every year yield). Our "short term" commitment of 5,412.5 acre feet to the Recovery Program is provided from this water marketing pool. However, the drought provisions in our contract with the US Fish and Wildlife Service allow us to "short" that delivery when the reservoir is below 56,000 acre feet on June 1st and the May 1st forecast is for less than 28,000. This situation unfortunately occurred again this past year, and there was no water released for this demand. However, we hope to be beyond that trigger this coming year.

We anticipate that the demand for Wolford Mountain Reservoir water will remain strong, especially in light of the continuing uncertainty over Green Mountain Contracts. We have finalized our third contract for Ruedi Round II water, which brings our current Ruedi water supplies to 1,730 acre feet, and we are expecting an additional contract for 5,000 acre feet by the Board meeting. Within our Colorado River Supply program, we have more than fully marketed our current contract amount from Ruedi, if we were to supply all uses below Glenwood Springs solely from Ruedi Reservoir.